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Ending tax-time tricks

This January, the familiar green posters that blossom on storefronts of tax preparation companies promising "Your Tax Refund Immediately" will come with a few disclaimers. Legislation passed by the Seattle City Council last month will require companies like H&R Block to disclose the interest and fees on these "Refund Anticipation Checks and Loans," which have slapped some consumers with fees and interest rates as high as 300 percent on their refund check. Tax preparers are now required to let consumers know of their options, including e-filing through the office, which could mean receiving a check in less than two weeks without having to take out a loan. Seattle area companies could be hit with fines of up to \$750 if they fail to provide information to their customers.

Last year, many needy families who qualified for the Earned Income Tax Credit were those falling prey to the anticipation checks and loans with fees, thus "siphoning off dollars that would otherwise be in the pockets of low income families," says Michael Fong, legislative assistant at the office of Councilmember Tom Rasmussen. Rasmussen, along with Councilmember Nick Licata, sponsored the bill.

"This ordinance levels the playing field and gives recourse to people to make sure that companies treat people properly," said Jennifer Romich, assistant professor at the University of Washington School of Social Work, who studied the effects of anticipation loans. If the law is followed, citizens will have enough information to understand they will be taking out a loan that they will have to repay even if the IRS delays or denies their anticipated refunds or happens to reject a tax credit application.

The disclosure will be in 14-point type and must be provided in English or Spanish so the taxpayer can decide how to file for the refund. Customers must be informed that an anticipation loan or check is just one option for getting their tax money. They will also be informed that if they decided to pursue the refund loan, they may have to open up a bank account and pay money to the bank and to the tax preparation company in addition to all the other fees and loan interest. Seattle joins New York City as the only other city to impose such regulations on deceptive marketing tactics.

—Diana Wurn